

IN THE
INDIANA TAX COURT

NO. 49T10-9309-TA-70

TOWN OF ST. JOHN, <i>et al.</i> ,)
)
Petitioners,)
)
V.)
)
STATE BOARD OF TAX)
COMMISSIONERS,)
)
Respondents.)

**STATE BOARD'S
FIRST MONTHLY REPORT**

This is the State Board of Tax Commissioners' first monthly report under the Court's order dated May 31, 2000, slip op. p. 8. The report explains the State Board's activities during June 2000 to implement the Court's order. This report also contains (as Attachment A) a proposed schedule for adopting a new assessment rule consistent with the Court's order. The report contains information on training the Board has provided to assessors and on issues relating to software development. As exhibits to this report, the Board also provides the Court with:

- training material that have been presented to assessors (Attachment C);
- a memorandum the Board circulated to local assessors regarding data-gathering (Attachment D); and
- materials relating to contracts the Board has entered with consultants for development of new assessment rules (Attachment E).

During June the Board has begun to implement the Court's order and to continue the implementation of reassessment. A list of specific activities conducted is attached to this status report (Attachment B). Indeed, even before this Court's order, the State Board took important steps toward developing a new assessment system.

Work with local assessors

From March through June, the State Board continued to meet and consult with local assessors. Other than taxpayers themselves, the assessing community will be the group most affected by the change in the assessing system. The assessing community will be required to learn a new set of skills in order to complete their assignment. In turn, the State Board feels that it is important to keep an open line of communication with assessors and provide more opportunities for training.

During April, the State Board conducted 18 continuing education classes on market-derived depreciation. Over 600 assessors attended these sessions. The State Board will continue to offer quality instructional programs aimed first at increasing the general knowledge and capabilities of assessors to deal with new concepts until specific training on a new reassessment manual can be provided.

Rule Development

On June 1 the State Board published the notice of intent to adopt the reassessment regulation and regulations governing equalization of property , so the first technical step in adopting rules is already complete. With a definite completion date established, the Board's top priority is to establish a broad timetable for the completion of reassessment. This timetable is included with this report (Attachment A). Reassessment requires coordination of a number of activities, and this timetable was developed to allow

simultaneous progress in all relevant areas. Early development of the timetable also allows assessors and other interested parties to plan their reassessment activities.

The State Board will use the time between now and April 2001 to develop and adopt a reassessment regulation, hoping to complete this work one or two months ahead of the Court's deadline. The first stage of this process will involve work with two contract vendors, Appraisal Research Corporation and the International Association of Assessing Officers, to develop assessment alternatives that can be incorporated into a proposed reassessment regulation. The State Board engaged these companies in contract discussions well before the Court's order, thus allowing work on these contracts to begin already.

The Board envisions that ARC will develop an alternative assessment method, while the Board, IAAO and others work on modifications to the Board's proposal of October 1999. The attachments to these contracts defining the scope of work and some additional materials relating to both the ARC and IAAO contracts are included with this status report (see Attachment E).

The Board may present multiple proposed assessment regulations in November or December of this year, with a public hearing to occur sometime in January. In addition to working with contract vendors between now and October, the Board also will solicit input from interested taxpayers as well as assessors, appraisal companies and software vendors. Several meetings with these groups have occurred already and will intensify during the months of July and August.

Training

Training also is critical to the success of reassessment, since assessors will be applying many concepts that have not been needed in assessing property in Indiana. With this in mind, the State Board has developed a continuing education curriculum for assessors that initially emphasizes broad skills, and later moves into specific details of the actual assessment regulation selected by the Board. This approach allows the State Board to provide meaningful training to assessors well in advance of adoption of a final regulation. Schedules of these continuing education sessions as well as course materials from the April and June classes (Attachment C) are included with this status report.

In April, the training covered the topic of market-derived depreciation, which likely will be included in any regulation adopted. The State Board offered nineteen continuing education sessions on land valuation during the month of June, so a significant amount of time during the last three months was devoted to reassessment related training. The final stage of this preliminary coursework is being prepared and will be presented in August as a review of the cost approach to valuation, to tie together the specific areas covered in prior training into an unified conceptual system. Later training will be more specific and focused on the actual provisions of the proposed and then final assessment regulation.

Software development

The State Board is working with assessment software vendors to identify potential issues, but this particular aspect of reassessment is much more dependent on the specific details of the reassessment regulation. Therefore most work in this area will occur next year, after these details become clearer. Nevertheless, the State Board will attempt to

keep lines of communication open with existing software vendors, as well as potential vendors that might be interested in providing software in the State of Indiana.

Data gathering

The State Board is aware that some local assessors are undertaking limited amounts of data-gathering. In March, the State Board provided local assessors with a memorandum updating them on progress toward reassessment and providing information about data collection (Attachment D). The State Board will survey local assessors about data collection during the upcoming weeks, and hopes to provide the survey results in the September 1 monthly report.

Statutory issues

Also during the month of June, the State Board has reviewed various statutory provisions relating to reassessment and has determined that local assessors or the State Board will be unable to comply with the at least the following statutory provisions under the timetable approved in the Court's order:

- .IC 6-1.1-31-9(a), as amended by P.L. 6-1997, sec. 247, may be read to prohibit the adoption of regulations governing the reassessment of real property after January 1, 1999. The Court's order of May 31, 2000 requires the Board to act after the statutory date.
- .IC 6-1.1-4-4(a) requires the next reassessment of property to be completed by March 1, 2001. The Court's order of May 31, 2000 delays this date to March 1, 2002.
- .IC 6-1.1-4-21 requires assessors to complete, or private vendors working for assessors to report, one fourth of their parcels by each of the following dates: December 1999, May 2000, October 2000 and March 2001. While some counties have met these deadlines with respect to data collection, many have not, and no county has completed reassessment for these parcels.
- .IC 6-1.1-4-20 authorizes the hiring of assessment vendors between January 1 and April 15, 1999. While some vendors were hired during this time period, the Board intends to extend the authorized time to hire vendors through at least summer of 2001, to allow assessors more flexibility in dealing with reassessment.

- IC 6-1.1-4-13.6 specifies that land values must be determined by November 1 of the year preceding the year in which a general reassessment under IC 6-1.1-4-4 becomes effective. It also requires the property tax assessment board of appeals to have a public hearing on these values before December 1 of that year. It will be necessary to adjust application of this statute to comport with a March 1, 2002 completion date for reassessment.

- .Many of the dates required under the Board's regulation on land valuation (50 IAC 13) will not be met by most counties and will have to be modified. However, the Board will not modify the valuation date used in its 1999 proposed regulation - January 1, 1999. This date will be used as the date values are to be determined for both land and improvements. This will allow assessors who have completed most of their land work to use these values without modification.

Some of the dates referenced in the statutes listed above have already been modified and are included in the attached Reassessment Schedule, while others will be addressed as the State Board's work on reassessment progresses.

Respectfully submitted,

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